

Message Text

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TO USMISSION GENEVA

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SUBJECT: MTN CONSULTATIONS WITH PHILIPPINE DELEGATION

REF: MTN GENEVA 1589

1. IT IS IMPORTANT THAT DISCUSSIONS WITH PHILIPPINE REPS
IN GENEVA AT MTN TAKE INTO ACCOUNT COMPLEX BILATERAL
ECONOMIC NEGOTIATIONS BETWEEN U.S. AND PHILIPPINE
GOVERNMENTS, WHICH INVOLVE BOTH TRADE AND INVESTMENT
INTERESTS AND WILL AFFECT THE TENOR OF OUR ENTIRE
RELATIONSHIP IN ECONOMIC, SECURITY AND OTHER FIELDS.

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BASED ON PHILIPPINE QUESTIONS (SOME OF WHICH HAVE BEEN
RAISED BEFORE IN CONTEXT OF OUR BILATERAL NEGOTIATIONS) WE
STILL HAVE IMPRESSION THAT GOP MAY BE ATTEMPTING TO OBTAIN
BETTER DEAL--E.G., NON-RECIPROCAL CONCESSIONS--FROM U.S.

IN MTN THAN IN BILATERALS.

2. DURING U.S.-PHILIPPINE NEGOTIATIONS IN MANILA, JULY 1974 (AT WHICH VEGA HEADED PHILIPPINE TECHNICAL PANEL), THE U.S. SPECIFICALLY INFORMED THE GOP THAT SOME DEGREE OF TRADE RECIPROCITY WOULD BE REQUIRED FOR ANY U.S. DUTY REDUCTIONS ON PRODUCTS OF MAJOR INTEREST IN U.S.-PHILIPPINE TRADE. ITEMS THEN IDENTIFIED BY GOP AS BEING OF MAJOR INTEREST FOR CONSIDERATION BY U.S. WERE: COCONUT OIL, SHREDDED COCONUT MEAT, OTHER PRESERVED COCONUT MEAT, ABACA YARNS AND ROVING, PHILIPPINE MAHOGANY VENEERS, LUMBER, AND WOOD VENEER PANELS,

CRUDE GLYCERINE, RATTAN EXCEPT WEBBING, SHELL ARTICLES, AND OTHER FURNISHINGS OF VEGETABLE FIBERS (EXCEPT COTTON) AND HEADWEAR OF VEGETABLE FIBERS. THE U.S. POSITION REQUIRING SOME DEGREE OF RECIPROCITY FOR CONCESSIONS ON THESE PRODUCTS HAS NOT CHANGED. SHOULD PHILIPPINE MISSION WISH TO ENTER INTO DETAILED DISCUSSION OF THESE ITEMS, DELEGATION SHOULD IMMEDIATELY ADVISE WASHINGTON AND EMBASSY MANILA.

3. FOLLOWING RESPONSES, WHILE INTENDED FOR PHILIPPINE DEL, ARE GENERALIZED AND MAY BE DRAWN UPON IF NECESSARY IN RESPONDING TO QUESTIONS FROM OTHER MTN DELEGATIONS.

4. (1)(A) AFTER RECEIVING THE ADVICE OF THE INTERNATIONAL TRADE COMMISSION, CAN THE PRESIDENT AUTHORIZE NEGOTIATION ON MFN REDUCTION OF DUTIES ON ARTICLES CONSIDERED BEGIN QUOTE IMPORT-SENSITIVE END QUOTE BY THE COMMISSION? THE PRESIDENT RETAINS AUTHORITY TO MAKE FINAL DETERMINATIONS WITH RESPECT TO IMPORT SENSITIVITY AND WITH RESPECT TO ARTICLES WHICH WILL BE SUBJECT TO NEGOTIATIONS. SECTION 131(B) OF THE TRADE ACT REQUIRES THAT THE INTERNATIONAL TRADE COMMISSION BEGIN QUOTE ADVISE THE PRESIDENT WITH RESPECT TO EACH ARTICLE OF ITS JUDGMENT AS TO THE PROBABLE ECONOMIC EFFECT OF MODIFICATIONS OF DUTIES ON INDUSTRIES PRODUCING LIKE OR DIRECTLY COMPETITIVE LIMITED OFFICIAL USE LIMITED OFFICIAL USE

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ARTICLES AND ON CONSUMERS, SO AS TO ASSIST THE PRESIDENT IN MAKING AN INFORMED JUDGMENT AS TO THE IMPACT WHICH MIGHT BE CAUSED BY SUCH MODIFICATIONS...END QUOTE. SECTION 127(A) PROVIDES THAT THE PRESIDENT SHALL RESERVE FROM NEGOTIATIONS ANY ARTICLE BEGIN QUOTE WHICH HE DETERMINES TO BE APPROPRIATE, TAKING INTO ACCOUNT THE INFORMATION AND ADVICE AVAILABLE END QUOTE FROM THE INTERNATIONAL TRADE COMMISSION, PUBLIC HEARINGS, AND EXECUTIVE AGENCIES.

5. (1)(B) CAN CONCESSIONS ON ARTICLES SUBJECT TO DUTY WHICH IS NOT MORE THAN FIVE PERCENT AD VALOREM (OR AD

VALOREM EQUIVALENT) BE IMPLEMENTED WITHOUT STAGING REQUIREMENTS?

THE ONLY EXEMPTION FROM STAGING REQUIREMENTS IS BEGIN QUOTE IN ANY CASE WHERE THE TOTAL REDUCTION IN THE RATE OF DUTY DOES NOT EXCEED 10 PERCENT OF THE RATE BEFORE THE REDUCTION END QUOTE (SECTION 109(A)). ACCORDINGLY, CONCESSIONS ON ARTICLES FOR WHICH THE DUTY RATE IS NOT MORE THAN 5 PERCENT AD VALOREM (OR AD VALOREM EQUIVALENT) ARE SUBJECT TO THE STAGING REQUIREMENT. HOWEVER, SINCE TARIFF REDUCTIONS OF UP TO 3 PERCENTAGE POINTS MAY BE MADE ANNUALLY, REDUCTIONS TO ZERO OF DUTIES CURRENTLY NOT MORE THAN 3 PERCENT MAY BE FULLY IMPLEMENTED IN ONE STAGE AND SUCH REDUCTIONS OF DUTIES NOT MORE THAN 5 PERCENT MAY BE IMPLEMENTED IN TWO STAGES.

6. (1)(C) CAN AND WILL CONCESSIONS ON TROPICAL ARTICLES SUBJECT TO DUTY WHICH IS NOT MORE THAN 5 PERCENT AD VALOREM (OR AD VALOREM EQUIVALENT) BE IMPLEMENTED AHEAD OF THE CONCLUSION OF THE MTN? IF SO, WHAT WOULD BE THE EARLIEST POSSIBLE DATE OF IMPLEMENTATION?

LEGALLY, IMPLEMENTATION OF NEGOTIATED TARIFF CONCESSIONS MAY BEGIN IMMEDIATELY FOLLOWING THE CONCLUSION OF ANY TRADE AGREEMENT FOR WHICH SUCH CONCESSIONS ARE BEGIN QUOTE REQUIRED OR APPROPRIATE END QUOTE. THE TRADE ACT AUTHORITY TO ENTER AND IMPLEMENT TRADE AGREEMENTS MAY BE USED UNTIL JANUARY 3, 1980 FOR ANY AGREEMENTS THAT MEET THE CRITERIA OF SECTIONS 101 OR 102. HOWEVER, NO OFFER LEADING TOWARD A TRADE AGREEMENT MAY BE MADE UNTIL AFTER THE UNITED STATES HAS COMPLETED ITS DOMESTIC PROCEDURES PURSUANT TO SECTIONS 131 THROUGH 135 AND THE PRESIDENT HAS LIMITED OFFICIAL USE
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APPROVED SUCH OFFERS. HOPEFULLY THE U.S. WILL BE ABLE TO MAKE OFFERS BY EARLY FALL.

THE GENERALIZED SYSTEM OF PREFERENCES, AS OPPOSED TO NEGOTIATED TARIFF CONCESSIONS, WILL BE IMPLEMENTED BEFORE THE CONCLUSION OF THE MTN, AND PROBABLY WILL BE IMPLEMENTED LATER THIS YEAR.

7. (1)(D) CAN SUCH CONCESSIONS BE IMPLEMENTED IN ADVANCE ON AN MFN BASIS FOR A GIVEN DEVELOPING COUNTRY? ALL NEGOTIATED TARIFF CONCESSIONS WILL BE IMPLEMENTED ON AN MFN BASIS. ANY TARIFF CONCESSIONS REQUIRED OR APPROPRIATE TO CARRY OUT A TRADE AGREEMENT COULD BE IMPLEMENTED (ONLY ON AN MFN BASIS) FOR PRODUCTS OF INTEREST TO ONE OR MORE COUNTRIES, BEFORE CONCLUSION OF THE MTN.

8. (2) WHICH ARTICLES IN THE PHILIPPINES REQUEST LIST FOR MFN ZERO DUTY REDUCTION CAN BE ACCORDED SEPARATE TARIFF POSITIONS?

THIS QUESTION CAN BE ANSWERED ONLY AFTER THE UNITED STATES HAS COMPLETED ITS DOMESTIC PROCEDURES AND THE

PRESIDENT HAS APPROVED THE OFFERS FOR CONCESSIONS. ALL REQUESTS FOR EX-OUTS WILL BE CONSIDERED.

9. (3) TITLE V, SECTION 503(A) PROVIDES, AMONG OTHERS, THAT BEGIN QUOTE AFTER RECEIVING THE ADVICE OF THE COMMISSION WITH RESPECT TO THE LISTED ARTICLES, THE PRESIDENT SHALL DESIGNATE THOSE ARTICLES HE CONSIDERS APPROPRIATE TO BE ELIGIBLE ARTICLES FOR PURPOSES OF THIS TITLE BY EXECUTIVE ORDER END QUOTE. AFTER RECEIVING SUCH ADVICE, CAN THE PRESIDENT AUTHORIZE NEGOTIATION OF ELIGIBLE ARTICLES EXCLUDING THOSE FALLING UNDER SECTION 503(A)(1)? AFTER COMPLETION OF DOMESTIC PROCEDURES NOTED IN ANSWER (1)(C), THE PRESIDENT MAY DESIGNATE ELIGIBLE ARTICLES FOR THE GENERALIZED SYSTEM OF PREFERENCES BY EXECUTIVE ORDER.

SUCH DESIGNATION WILL PUT THE GSP INTO OPERATION. PHILIPPINE INTERESTS HAVE BEEN GIVEN CAREFUL CONSIDERATION IN THE PREPARATION OF THE LIST AND WE WILL BE HAPPY TO CONSIDER NEW PHILIPPINE GSP REQUESTS AS THEY MAY BE RECEIVED. THE PRESIDENT MAY NOT DESIGNATE FOR GSP ARTICLES LIMITED OFFICIAL USE
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EXCLUDED BY SECTION 503(C)(1) AND (2) OF THE TRADE ACT. SUCH ARTICLES MAY, HOWEVER, WE CONSIDERED FOR NEGOTIATION IN THE MTN WITHOUT REGARD TO SECTION 503(C)(1). WE ASSUME THE PHRASE IN THE LAST SENTENCE OF THE QUESTION BEGIN QUOTE SECTION 503(A)(1) END QUOTE IS INTENDED TO SECTION 503(C)(1).

10. (4) WHICH PHILIPPINE TEXTILE AND APPAREL ARTICLES COVERED IN THE PHILIPPINES-UNITED STATES AGREEMENT, PARTICULARLY WHOSE QUOTAS ARE NOT AVAILED OF, COULD BE CONSIDERED AS ELIGIBLE ARTICLES?
SECTION 503(C)(1)(A) OF THE TRADE ACT EXCLUDES FROM ELIGIBILITY FOR GENERALIZED PREFERENCES ALL BEGIN QUOTE TEXTILE AND APPAREL ARTICLES WHICH ARE SUBJECT TO TEXTILE AGREEMENTS END QUOTE TO WHICH THE UNITED STATES IS A PARTY.

11. (5) NOTE: CABLED LIST OF QUESTIONS CONTAINS NO NO. 5.

12. (6) COULD ITEM 807 OF THE U.S. TARIFF SCHEDULE BE INTERPRETED OR MODIFIED IN SUCH A WAY AS TO MAKE IT APPLICABLE TO A WIDER RANGE OF ARTICLES RE-EXPORTED BY THE PHILIPPINES?
THE PRESIDENT HAS NO AUTHORITY TO MODIFY ITEM 807. SUCH A MODIFICATION WOULD HAVE TO BE ENACTED BY THE CONGRESS. WE DO NOT BELIEVE ITEM 807 CAN BE INTERPRETED TO MAKE IT APPLICABLE TO A WIDER RANGE OF ARTICLES.

13. (7)(A) WHAT IS THE U.S. POSITION ON INTERNATIONAL COMMODITY ARRANGEMENTS ON CERTAIN PRODUCTS PROPOSED BY THE

EEC?

THE QUESTION PRESUMABLY REFERS TO THE STATEMENT BY THE EC AT THE LAST SESSION OF THE UNCTAD COMMITTEE ON COMMODITIES. IN THAT STATEMENT THE EC INDICATED THAT THEY WERE PREPARED TO ENTER INTO NEGOTIATIONS ON FOUR OF THE 19 COMMODITIES INCLUDED IN UNCTAD'S PROPOSED INTEGRATED PROGRAM: WHEAT, MAIZE, RICE AND SUGAR. THEY POINTED OUT THAT THE COFFEE AGREEMENT AND THE COCOA AGREEMENT WOULD BE RENEGOTIATED THIS YEAR, BUT DID NOT INDICATE THEIR ATTITUDE TOWARD THESE NEGOTIATIONS. WITH RESPECT TO TEA, THEY REFERRED TO THE CONCLUSION REACHED IN INTENSIVE CONSULTATIONS LAST JUNE THAT THE FAO INTERGOVERNMENTAL LIMITED OFFICIAL USE LIMITED OFFICIAL USE

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GROUP SHOULD EXAMINE THE FEASIBILITY OF A BEGIN QUOTE MULTIDIMENSIONAL ARRANGEMENT END QUOTE. THEY EXPRESSED DOUBTS ABOUT THE FEASIBILITY OF BEGINNING NEGOTIATIONS SIMULTANEOUSLY IN 1975 ON THE 12 OTHER COMMODITIES INCLUDED IN THE INTEGRATED PROGRAM. THE NEGOTIATIONS ON THE THREE CEREALS WILL FLOW FROM THE WORLD FOOD CONFERENCE HELD IN ROME IN NOVEMBER 1974 AND WILL CERTAINLY INVOLVE THE U.S. AS A MAJOR PARTICIPANT. WE ESPECIALLY SUPPORT A GRAIN RESERVE SYSTEM AS A MEANS TOWARD INCREASED WORLD FOOD SUPPLY SECURITY. WITH REGARD TO SUGAR, THE U.S. POSITION IS CONTAINED IN THE ANSWER TO QUESTION (7)(B). AS A MEMBER OF THE EXISTING INTERNATIONAL COFFEE AGREEMENT, THE U.S. IS FULLY COMMITTED TO PARTICIPATION IN NEGOTIATION FOR A NEW COFFEE AGREEMENT. WE ALSO EXPECT TO PARTICIPATE FULLY IN NEGOTIATIONS FOR A NEW COCOA AGREEMENT. THE U.S. AGREES WITH THE EC SUGGESTION THAT THE FAO INTERGOVERNMENTAL GROUP (OF WHICH WE ARE A MEMBER) SHOULD CONTINUE TO EXAMINE THE FEASIBILITY OF AN ARRANGEMENT FOR TEA. MOREOVER, THE U.S. EXPECTS TO PARTICIPATE IN THE MAY NEGOTIATIONS FOR A FIFTH INTERNATIONAL TIN AGREEMENT. OF COURSE ANY DECISION TO RATIFY THE ARRANGEMENTS WILL DEPEND ON THE ACCEPTABILITY OF THE ARRANGEMENTS THAT ARE ULTIMATELY NEGOTIATED. WE WILL CONSIDER PARTICIPATING IN THE POSSIBLE NEGOTIATIONS OF ARRANGEMENTS FOR OTHER COMMODITIES, IF SUCH NEGOTIATIONS ARE SCHEDULED, AND IF IT APPEARS THAT THE PROPOSED ARRANGEMENTS MAY BE FEASIBLE AND ECONOMICALLY VIABLE. IN GENERAL TERMS, THE U.S. EXAMINES COMMODITY ARRANGEMENTS ON A CASE-BY-CASE BASIS. ARRANGEMENTS WHICH ATTEMPT ARTIFICIALLY TO MAINTAIN PRICES IN A NARROW RANGE FOR INTERNATIONALLY TRADED COMMODITIES OR WHICH INTERFERE WITH FUNDAMENTAL LONG TERM SUPPLY AND DEMAND TRENDS ARE GENERALLY UNACCEPTABLE. THEY RESULT IN A MISALLOCATION OF RESOURCES AWAY FROM THE OPTIMUM WHICH CAN BE ACHIEVED THROUGH THE FREE OPERATION OF MARKET FORCES.

14. WHAT IS THE U.S. POSITION ON SUGAR?

THE SUGAR ACT OF 1948 TERMINATED ON DECEMBER 31, 1974.
THIS TERMINATION ENDED THE POLICY OF ALLOCATING IMPORT
QUOTAS FOR UNREFINED SUGAR TO SPECIFIED COUNTRIES, AND OF
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VIRTUALLY PROHIBITING IMPORTS OF REFINED SUGAR. ON
NOVEMBER 18, 1974, THE PRESIDENT ISSUED AN EXECUTIVE ORDER
WHICH, EFFECTIVE JANUARY 1, 1975, MAINTAINED COLUMN 1 (MFN)
RATES OF DUTY FOR IMPORTED SUGAR, AND WHICH IMPOSED A
SYNGLE GLOBAL IMPORT QUOTA OF SEVEN MILLION SHORT TONS FOR
BOTH RAW AND REFINED SUGAR.

THE PRICE OF SUGAR IS CURRENTLY STILL SO HIGH THAT
PRODUCERS, PARTICULARLY OF CANE SUGAR, WILL SUFFER IN THE
LONG RUN AS SUGAR BEET PRODUCTION IS ENCOURAGED IN
TEMPERATE ZONE AREAS OF THE WORLD AND OTHER SUBSTITUTES
COMPETE WITH SUGAR. OVERALL, THE VOLUME OF WORLD TRADE
IN SUGAR COULD THEREFORE DECLINE. INCREASED PRODUCTION IS
NECESSARY IN CANE PRODUCING AREAS TO BRING PRICES DOWN TO
REASONABLE LEVELS. IF NEGOTIATIONS ARE SCHEDULED FOR A
RENEWAL OF THE INTERNATIONAL SUGAR AGREEMENT, THE U.S. WILL
PARTICIPATE IN SUCH NEGOTIATIONS. OUR CURRENT TARIFF ON
SUGAR IS OPEN TO REVIEW IN TERMS OF THE TRADE ACT OF 1974
AND NEGOTIATIONS IN THE MTN'S.

15. (8)(A) WHAT SHOULD BE THE BASIS OF THE VALUATION OF
THE \$25 MILLION - 50 PERCENT CEILINGS? TSUS OR SITC?
THE BASIS WILL BE TSUS. IN GENERAL, AN ARTICLE WILL BE
DEFINED AT THE 5-DIGIT LEVEL.

16. (8)(B) IN CONVERTING SPECIFIC DUTY UNDER THE TSUS TO
ITS AD VALOREM EQUIVALENT, WHAT BASE PRICE WILL BE USED?
SECTIONS 601(3) AND (4) OF THE TRADE ACT PROVIDE THAT AD
VALOREM EQUIVALENTS ARE TO BE DETERMINED BY THE PRESIDENT
ON THE BASIS OF THE VALUE OF IMPORTS DURING THE BEGIN QUOTE
MOST RECENT REPRESENTATIVE PERIOD END QUOTE. FOR THE
PURPOSE OF THE PUBLIC LIST OF ARTICLES ON WHICH THE DUTIES
MAY BE CONSIDERED FOR NEGOTIATION IN THE MTN, THE PERIOD
USED WAS CALENDAR YEAR 1973, AND 1974 TO THE EXTENT THAT
STATISTICS WERE AVAILABLE. INGERSOLL

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